

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 FEA-01 AGR-05 CEA-01 COME-00

FRB-01 H-01 INR-07 INT-05 L-02 LAB-04 NSC-05 PA-01

RSC-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01 TRSE-00

PRS-01 SP-02 OMB-01 (ISO) W
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O 151027Z JAN 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC IMMEDIATE 1408

C O N F I D E N T I A L SECTION 1 OF 2 BUCHAREST 0161

E.O. 11652: GDS

TAGS: EEWT, RO

SUBJ: TRADE AGREEMENT NEGOTIATIONS

REFS: (A) STATE 003943 (B) BUCHAREST 0079 (C) BUCHAREST 0054
(D) BUCHAREST 0103

1. SUMMARY: AFTER PROMISING START IN PLENARY SESSION, FIRST DAY OF NEGOTIATIONS OF US-ROMANIAN COMMERCIAL AGREEMENT WOUND UP IN TEMPORARY IMPASSE OVER ROMANIAN GATT IMPORT OBLIGATION AND SAFEGUARD PROVISIONS. ROMANIAN DELEGATION IS TAKING CONSTRUCTIVE APPROACH, SCRUTINIZING LANGUAGE CLOSELY BUT NOT RAISING TRIVIAL OR IRRELEVANT POINTS. ACTION REQUESTED: WOULD APPRECIATE WASHINGTON THINKING ON POSSIBLE NEGOTIATING FLEXIBILITY ON GATT IMPORT QUESTION AND RESPONSE TO REFTEL B. END SUMMARY

2. NEGOTIATION OF US-ROMANIAN COMMERCIAL AGREEMENT BEGAN JANUARY 14 IN BUCHAREST. BEFORE FIRST PLENARY SESSION, AMBASSADOR BARNES MET BRIEFLY WITH CHIEF OF ROMANIAN DELEGATION, NICOLAE NICOLAE, MINISTER-SECRETARY OF STATE IN FOREIGN TRADE MINISTRY, TO DISCUSS PROCEDURE AND CLARIFY MFN PROCESS. CONFIDENTIAL

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3. FIRST PLENARY SESSION PRODUCED BRISK DIALOGUE BETWEEN TWO DELEGATION HEADS AS THEY REVIEWED EACH ARTICLE OF DRAFT AGREEMENT. US DRAFT WAS USED AS BASIS, ALTHOUGH ROMANIANS POINTED OUT THEIR DRAFT SHOULD ALSO BE KEPT IN MIND. MOOD WAS CONSTRUCTIVE AND WORKMANLIKE AND SEEMED TO PROMISE NEGOTIATIONS WOULD PROCEED RAPIDLY. ON PREAMBLE, FOR EXAMPLE, NICOLAE QUICKLY YIELDED TO OUR ARGUMENT THAT RESTATEMENT OF PRINCIPLES GUIDING ROMANIA'S INTERNATIONAL RELATIONS WOULD BE UNNECESSARY AND AGREED THAT A REFERENCE EMPHASIZING JOINT STATEMENT OF DECEMBER 1973 WOULD SUFFICE.

4. NICOLAE'S PRESENTATION OF ROMANIAN POSITION CLOSELY FOLLOWED ROMANIAN VIEWS CONVEYED TO EMBASSY DURING INFORMAL TALKS (REFTELS C AND D). HE FIRMLY OPPOSED REFERENCE IN ARTICLE I:1 TO ROMANIA'S IMPORT OBLIGATION UNDER ANNEX B OF ITS GATT ACCESSION PROTOCOL, PARTICULARLY WHEN TAKEN TOGETHER WITH ARTICLE II:1 REFERENCE TO TRIPLING OF TRADE LEVEL WITH US. AMBASSADOR ARGUED THAT ARTICLE I:1 REFERS TO STILL-VALID OBLIGATION WHICH ROMANIA SHOULD BE WILLING TO REAFFIRM AND NOTED THAT ARTICLE II:1 GOAL FOR TRADE INCREASE IS NOT BINDING, BUT NICOLAE REMAINED FIRM IN DECLINING TO REFER TO GATT IMPORT COMMITMENT.

5. NICOLAE REFERRED ONLY BRIEFLY TO ARTICLE III (SAFEGUARDS) BUT FORESHADOWED LENGTHY DEBATE IN AFTERNOON SESSION BY REMARKING HE SUSPECTED THIS SECTION WOULD RAISE A BASIC PROBLEM. TO THE AMBASSADOR'S EXPLANATION THAT LANGUAGE OF ARTICLE III REFLECTS OUR LEGISLATIVE REQUIREMENTS, NICOLAE REPLIED THAT HE UNDERSTOOD THIS BUT SAW NEED TO BRING US CLOSER TO GATT POINT OF VIEW ON SAFEGUARDS.

6. AS EXPECTED, NICOLAE ALSO CITED ARTICLE XII AS POSING A BASIC PROBLEM, ARGUING THAT US WITHDRAWAL OF MFN WOULD SO UNBALANCE TERMS OF COMMERCIAL AGREEMENT AS TO THROW VALIDITY OF ENTIRE DOCUMENT INTO QUESTION. THERE WERE VARIOUS WAYS OF DEALING WITH PROBLEM, HE SUGGESTED, INCLUDING TINKERING WITH EXISTING LANGUAGE TO CREATE A MORE BALANCED SITUATION OR PROVIDING THAT WITHDRAWAL OF MFN WOULD INVALIDATE ENTIRE AGREEMENT. HE SUGGESTED CREATING A PROVISION FOR PRIOR CONSULTATIONS IF WITHDRAWAL OF MFN SEEMED IMMINENT.
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7. AT CLOSE OF PLENARY SESSION, DELEGATIONS AGREED THAT CHIEFS OF DELEGATION WOULD WITHDRAW FROM DAILY MEETINGS, BUT WOULD REMAIN AVAILABLE FOR CONSULTATION OR TO RESOLVE THORNIER ISSUES. THEY AGREED TO MEET IN ANY CASE IN RESTRICTED SESSION JANUARY 16 TO REVIEW STATE OF NEGOTIATIONS. ACCORDINGLY, MIRCEA ZARA, DIRECTOR OF FOREIGN AFFAIRS MINISTRY'S ECONOMIC DIRECTORATE, AND MATTHEW LORIMER ACTED AS DELEGATION SPOKESMEN AT AFTERNOON

SESSION.

8. AFTERNOON SESSION BEGAN WITH DISCUSSION OF ADDING CLAUSE TO PREAMBLE REFERRING TO DECEMBER 1973 JOINT ECONOMIC STATEMENT, TO MEET GOR DESIRE FOR LISTING OF PRINCIPLES OF INTERNATIONAL RELATIONS (REFTEL A, PARA 2A). WE TENTATIVELY AGREED TO CLAUSE READING: QUOTE REAFFIRMING THE CONTINUING IMPORTANCE OF THE JOINT STATEMENT ON ECONOMIC, ETC. COOPERATION OF DECEMBER 5, 1973. END QUOTE, AND ARE DISCUSSING TODAY ADDING REFERENCE TO 1973 DECLARATION OF PRINCIPLES SIGNED BY PRESIDENTS.

9. ARTICLE 1, PARA 1. GOR PROPOSES FIRST SENTENCE SUBSTANTIALLY TRACKING LANGUAGE OF GATT ARTICLE I ON MFN RATHER THAN OUR SHORTHAND LANGUAGE. SECOND AND THIRD SENTENCES LED TO PREDICTABLE IMPASSE. GOR INDICATED WILLINGNESS TO CONSIDER SENTENCE TO THE EFFECT THAT BOTH PARTIES PLEDGE STRICTLY TO OBSERVE THE PROVISIONS OF GATT, INCLUDING THE PROTOCOL, BUT WITHOUT REFERENCE SPECIFICALLY TO ANNEX B OR THE LANGUAGE FROM ANNEX B WHICH WE HAD PROPOSED IN OUR THIRD SENTENCE. GOR DESCRIBED THIS AS A MATTER OF PRINCIPLE, AND ARGUED THAT OUR PROPOSAL WOULD BE DIFFICULT PRECEDENT FOR RELATIONS WITH OTHER COUNTRIES. GOR ALSO HAD PROBLEM WITH OUR SUGGESTION (SECOND SENTENCE) THAT THE REAFFIRMATIONS OF GATT PROVISIONS BE SUBJECT TO THE QUALIFICATION QUOTE AS MODIFIED BY SUBSEQUENT PROVISIONS OF THIS AGREEMENT END QUOTE. GOR ARGUED THAT CHANGES IN OUR DRAFT ART. III AND XII COULD MAKE IT POSSIBLE TO MODIFY THIS QUALIFICATION. WE RESPONDED THAT SAFEGUARDS AND 3 YEAR MAXIMUM LIMIT ON MFN REQUIRED BY TRADE ACT NECESSARILY LIMITS FULL ACCEPTANCE OF GATT OBLIGATIONS IN RELATIONS WITH ROMANIA. WE CONCLUDED BY AGREEING TO REFLECT FURTHER, INDICATING THAT WE WOULD HAVE SERIOUS PROBLEMS IN NOT MENTIONING ANNEX B EXPRESSLY.

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 FEA-01 AGR-05 CEA-01 COME-00

FRB-01 H-01 INR-07 INT-05 L-02 LAB-04 NSC-05 PA-01

RSC-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01 TRSE-00

PRS-01 SP-02 OMB-01 (ISO) W
----- 035196

O 151027Z JAN 75
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC IMMEDIATE 1409

C O N F I D E N T I A L SECTION 2 OF 2 BUCHAREST 0161

E.O. 11652: GDS
TAGS: EEWT, RO
SUBJ: TRADE AGREEMENT NEGOTIATIONS

10. ARTICLE I, PARA 2. FOLLOWING TEXT ARRIVED AT BEGIN TEXT
THE PARTIES AGREE TO MAINTAIN A SATISFACTORY BALANCE OF
CONCESSIONS IN TRADE AND SERVICES DURING THE PERIOD OF THIS
AGREEMENT, AND IN PARTICULAR TO RECIPROCATATE SATISFACTORILY
REDUCTIONS BY THE OTHER PARTY IN TARIFFS AND NON TARIFF BARRIERS
TO TRADE THAT RESULT FROM MULTILATERAL NEGOTIATIONS, TAKING INTO
ACCOUNT
ROMANIA'S STATUS AS A DEVELOPING COUNTRY AND ITS ELIGIBILITY
FOR TREATMENT ACCORDED TO SUCH COUNTRIES. END TEXT

11. ARTICLE II, PARA 1. GOR PROPOSED DELETING QUOTE MUTUAL
ADVANTAGE AND END QUOTE OR QUOTE RECIPROCITY END QUOTE FROM
FIRST SENTENCE. WE AGREED TO DELETE FORMER. GOR ACCEPTED
SECOND SENTENCE REGARDING TRIPLING OF TRADE PROVIDED IMPORT
COMMITMENT ISSUE RESOLVED. GOR OBJECTED TO NON-RECIPROCAL
NATURE OF THIRD SENTENCE AND MAY PROPOSE LANGUAGE
CHANGE JANUARY 15.

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12. GOR ACCEPTED ARTICLE II, PARA 2.

13. ARTICLE III. WE QUICKLY REACHED IMPASSE ON SAFEGUARDS.
GOR OBJECTS TO QUOTE DISCRETIONARY END QUOTE AND QUOTE DIS-
CRIMINATORY END QUOTE ASPECTS OF OUR PROPOSAL. WE EMPHASIZED
OUR LACK OF FLEXIBILITY UNDER NEW LAW. INCIDENTALLY, GOR
QUESTIONED WHETHER WE INTEND TO OBSERVE MARKET DISRUPTION PRO-
VISION OF MULTIFIBRE ARRANGEMENT (MFA), OR WHETHER SECTION 406
OF TRADE ACT COULD CAUSE US TO VIOLATE IT.

14. WE AGREED TO EXAMINE ARTICLE III AND ANNEX 1 FURTHER. GOR
SUGGESTED TWO APPROACHES: (1) WE COULD ELABORATE FACTORS TO
BE TAKEN INTO ACCOUNT (TO LIMIT POSSIBLE ARBITRARY ACTION), OR
(2) WE COULD QUOTE SIMPLIFY END QUOTE THE PROVISION. WE INDICATED
PREFERENCE FOR FORMER APPROACH, AND REITERATED LEGAL RESTRICTIONS
ON OUR FLEXIBILITY.

15. OBVIOUSLY ART. I, II AND III ARE TIED TOGETHER, BUT WOULD

APPRECIATE WASHINGTON THINKING ON POSSIBLE NEGOTIATING FLEXIBILITY
ON GATT IMPORT COMMITMENT QUESTION. ALSO PLEASE REPLY REFTEL B.
BARNES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, MEETING AGENDA, TRADE AGREEMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUCHAR00161
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750015-0361
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750151/aaaabsup.tel
Line Count: 226
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 003943, 75 BUCHAREST 0079, 75 BUCHAREST 0054
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by ShawDG>; APPROVED <21 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRADE AGREEMENT NEGOTIATIONS
TAGS: EEWT, RO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006